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SUBJECT: MADRID WEEKLY ECON/AG/COMMERCIAL UPDATE REPORT

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EAGR/TBIO: The Political divide of biotechnology
ENRG: Renewables only at El Hierro Island
ENRG/KNNP: Zapatero says NO to Nukes
EINV/BEXP: Customer Focus Puts Spanish Banks in the lead
SOCI/SMIG: Foreigners in Spain 1 out of 6 ratio
EAID: Iraq Reconstruction Monies-Where Are They?
EAIR: Boeing business boom in Spain

//BT CORN MISUNDERSTOOD

1 (U) The European Commission's (EC) de facto agriculture-biotechnology approval moratorium has precipitated a political divide among corn farmers in Spain regarding the desirability of agriculture biotechnology. By 1997, the first year of the moratorium, the EC had approved only one line of biotechnology (bt) corn events, corn-borer resistant seed varieties. In Spanish regions where corn-borer infestations are important, Spanish farmers have embraced bt corn, planting almost all of the infested area (60,000 hectares) with bt seed. On the remaining 340,000 hectares planted with corn in Spain, weeds are a problem, but since weed-killer-resistant (Roundup Ready) corn has not been approved (the moratorium) Spanish corn farmers don't understand its benefit. Hence the political divide in Spain where farmers who have access to, and can benefit from bt corn, embrace it, while many of the farmers who do not have access to bt corn seed developed to facilitate the elimination of weeds (Roundup Ready), oppose the continued deployment of agriculture biotechnology in Spain.

SPAIN PLANS FIRST RENEWABLES ONLY ISLAND

12. (U) The Spanish Government announced March 20 that "El Hierro," one of the islands that makes up the Canary Island chain, would become the first island in the world where 100 percent of electricity used would come from renewable energy sources. The 278 square hectare, 10,500 inhabitant island, which is a UN World Biosphere reserve, will receive a 54 million euro investment to construct a mini-hydro and wind power complex that will generate 20 megawatts of power. 35 million euros of the 54 million euro cost will be provided by Spain's Industry Ministry. The renewable systems will save 6,000 tons of diesel fuel annually (which is the equivalent of 40,000 barrels of oil and which costs two million euros a year) and will prevent the annual emission of 18,700 tons of CO2, 100 tons of sulfur dioxide, and 400 tons of nitrogen. The systems are planned to come on line in 2009.

ZAPATERO REITERATES ANTI-NUCLEAR ENERGY STANCE

13. (SBU) Prime Minister Zapatero is widely viewed as the most anti-nuclear member of the Spanish cabinet. A few times each year during the three years of his government, Zapatero has felt compelled to reiterate his support for the Socialist Party's 2004 campaign promise to gradually close down Spain's remaining nuclear reactors. He feels compelled to do so because leading figures from across the political spectrum continue to voice support for nuclear energy as a way to reduce dependence on foreign energy sources and to attack climate change. Zapatero also must be aware that many leading members of his government voice private support for reconsidering the PSOE's anti-nuclear stance. Zapatero's most recent restatement of his anti-nuclear views came on 14 March, when he told the Spanish Congress that his government would present, by the end of its term (no later than March 2008), a plan to implement its campaign promise to close down all Spanish reactors. In his remarks, Zapatero also reiterated his support for increasing the amount of Spanish energy coming from renewable sources. No one appears to have pointed out to the Prime Minister that his anti-nuclear stance will help guarantee that Spain's rate of dependence on foreign energy sources will continue to be one of the highest in Europe (it is currently over 80 percent) for the foreseeable future.

SPANISH BANKS AMONG THE MOST EFFICIENT IN THE WORLD

14. (U) The average cost/income ratio for the largest three Spanish banks was 43% in 2006. That compared with an average of 58% for three of the U.S.'s biggest banks. The lower the cost/income ratio the better as it costs less to produce income. Why is Spanish banking so efficient? Forced restructuring in the 1970s led to enormous efficiency gains. The Spaniards have invested heavily in technology. The bigger banks, market shares allows for economies of scale. Cost controls and emphasis on sales are intense. The Spanish emphasis on the customer, as opposed to the Anglo-Saxon

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product-centered approach, seems to have worked for the Spaniards. (IHT, March 20, 2007)

ONE MILLION MADRID AREA RESIDENTS ARE FOREIGN BORN

15. (U) The Madrid regional government reported March 14 that foreigners represent almost one out of six residents of the Madrid region. The report said that the Madrid region population reached 6.3 million in 2006 and that just over one million of these residents was foreign born. The foreign population grew 25 percent during the course of 2006 (from just over 800,000 to just over one million). Ecuadorians represented the largest foreign group (16.6 percent) followed by Romanians (15.5 percent), Moroccans (8.3 percent), Colombians (7.7 percent) and Bolivians (5.3 percent). As for demographics, almost one half of the one million foreign born residents of the Madrid region are between the ages of 25-35.

MADRID DONOR'S CONFERENCE PLEDGE ANNOUNCEMENT

16. (U) The Spanish Agency for International Cooperation (AECI) recently released information regarding the status of Spain's 300 million USD pledge to Iraq made at the October 2003 Madrid Donors' Conference. According to AECI, 148.5 million USD out of the 300 million pledge was obligated by the Aznar Government in 2003 and 2004. The Zapatero Government obligated an additional 48 million between 2005 and 2007. 39.6 million of the 48 million was routed through UNDP/IRFFI (22.2 million to the infrastructure account and 17.4 million to the governability account), seven million was obligated directly by AECI (4.2 million in 2005, 1.9 million in 2006 and 900,000 in 2007), one million was obligated via NATO (for training Iraqi police), and 400,000 was spent for non-NATO training. According to AECI figures, 103.3 million USD of the original 300 million pledge remains unobligated. Media quotes AECI sources as saying that the remaining monies

have not been obligated because ongoing sectarian violence makes effective reconstruction efforts impossible. Media also reports that the remaining 103.3 million dollars will be spent via further contributions to UNDP/IRFFI (28.3 million) and soft loans (75 million). It is worth noting that these figures do not include either the 764 million USD worth of Iraqi Government debt written off by Spain or the 2.5 million USD in development assistance provided to Iraq by Spanish autonomous regions.

BOEING PROJECTS 36 BILLION USD MARKET FOR NEW PLANES IN SPAIN

17. (U) According to the recently released Boeing Current Market Outlook, Spain will order 410 new Boeing airplanes over the next 20 years. Boeing's annual forecast estimated that the airplanes will amount to approximately 36 billion USD in commercial sales. Boeing estimates that the Boeing 737 range will account for 70 percent of all jetliners delivered to Spanish airlines. Fifteen to sixteen percent will be twin-aisle airplanes such as the Boeing 777 and 787. Eleven percent will be smaller regional jets, and the remaining three to four percent will be of the Boeing 747 size range. Boeing projections assume an annual 4.5 percent increase in traffic on transatlantic routes between Europe and North America.
Aguirre